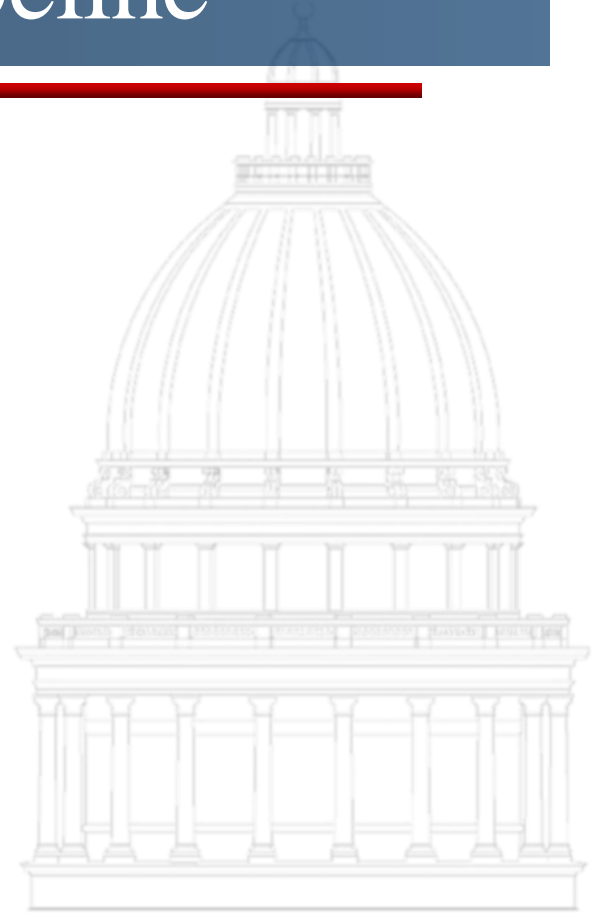# Performance Audit of the Repayment Feasibility of the Lake Powell Pipeline

Utah Legislative Auditor General
Presentation to the
Water Development Commission
October 20, 2020

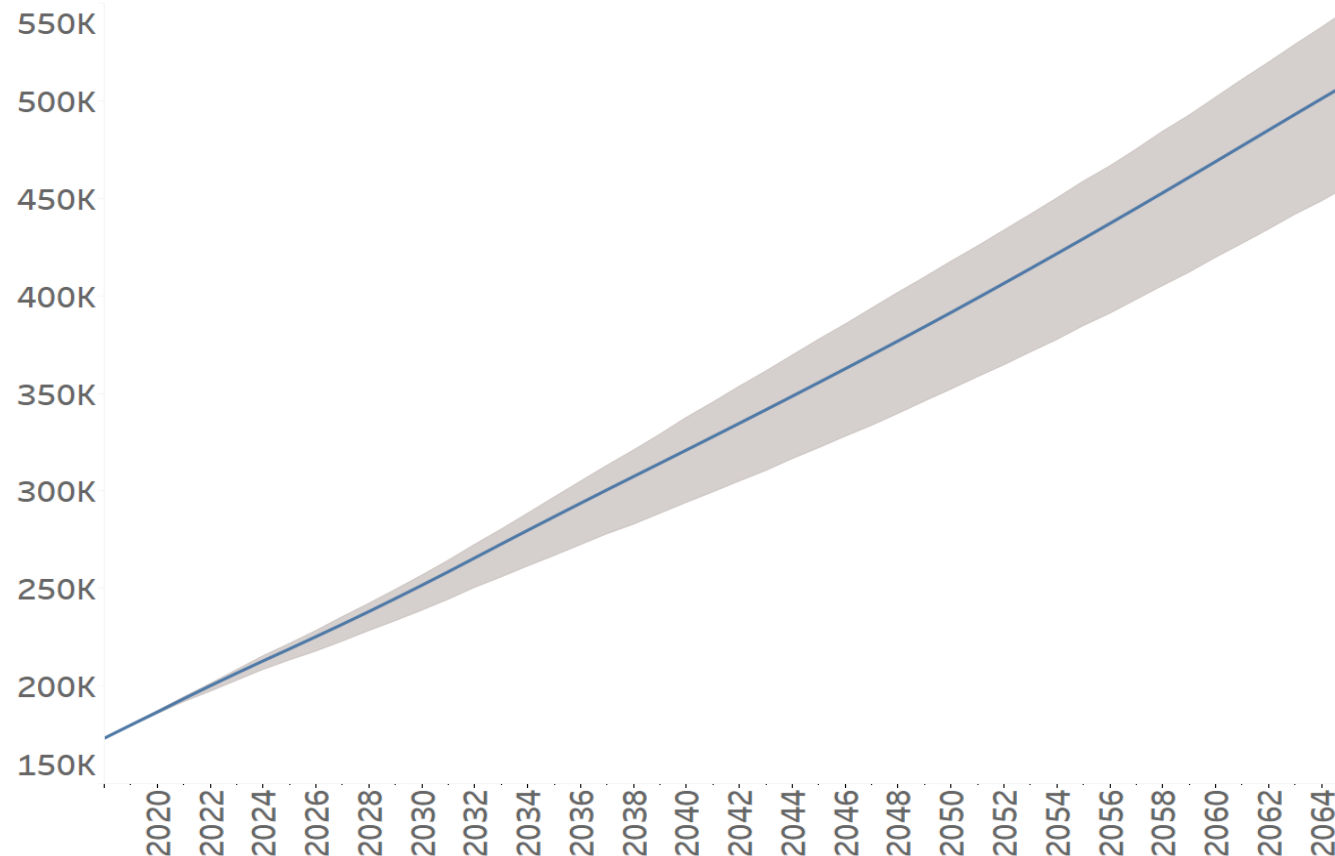# 2006 Lake Powell Pipeline Development Act

▸ Authorizes the Board of Water Resources to

  ◆ Make rules

  ◆ Build the Lake Powell Pipeline project, as funded by the Legislature

  ◆ Contract for the sale of developed water and operation of the project
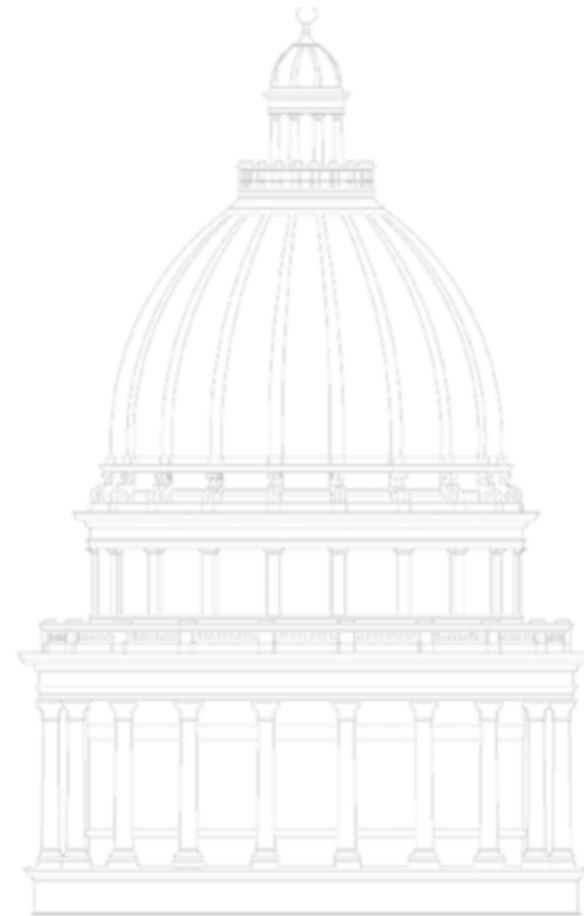
FOR MORE INFORMATION

page 1 of report

Population Growth is the Driving Factor For LPP
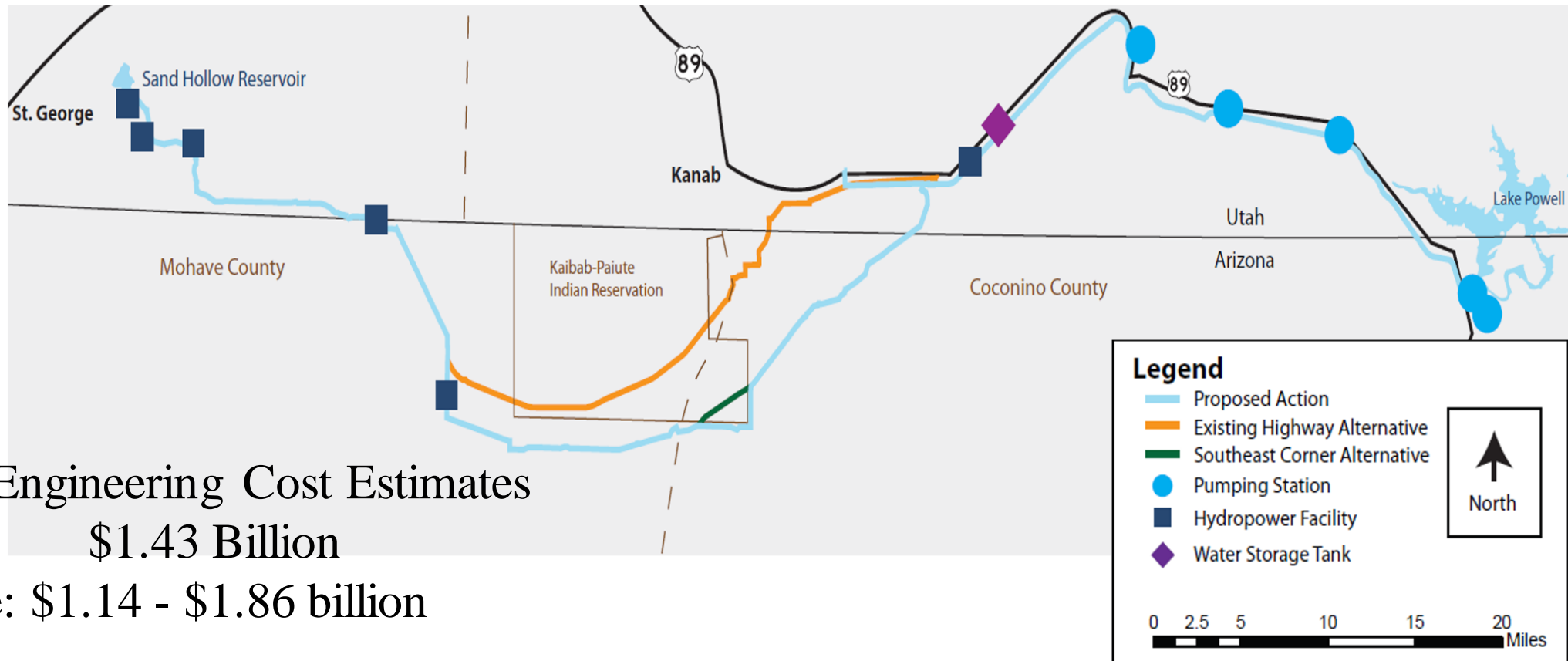
Status of Lake Powell Pipeline

- 2006 Lake Powell Pipeline Dev. Act Passed
- 2007-2017 Research/studies and preliminary design
- 2015 Preliminary license application submitted
- 2017 FERC issues REA
- 2019 Fall, Bureau of Reclamation (USBR) assigned as lead agency for NEPA
- **2020 June USBR released draft EIS**
- Estimated 2020-2022 Second draft EIS and Final EIS and Record of Decision
- Estimated 2022-2024 Final Design
- Estimated 2024-2030 Construction
- Estimated 2030 Earliest Completion Date

FOR MORE INFORMATION

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LPP Route and Cost

2015 Engineering Cost Estimates
$1.43 Billion
Range: $1.14 - $1.86 billion

FOR MORE INFORMATION

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Chapter II

Based on Current Estimates, WCWCD Has the Potential to Generate Sufficient Revenue to Repay Pipeline
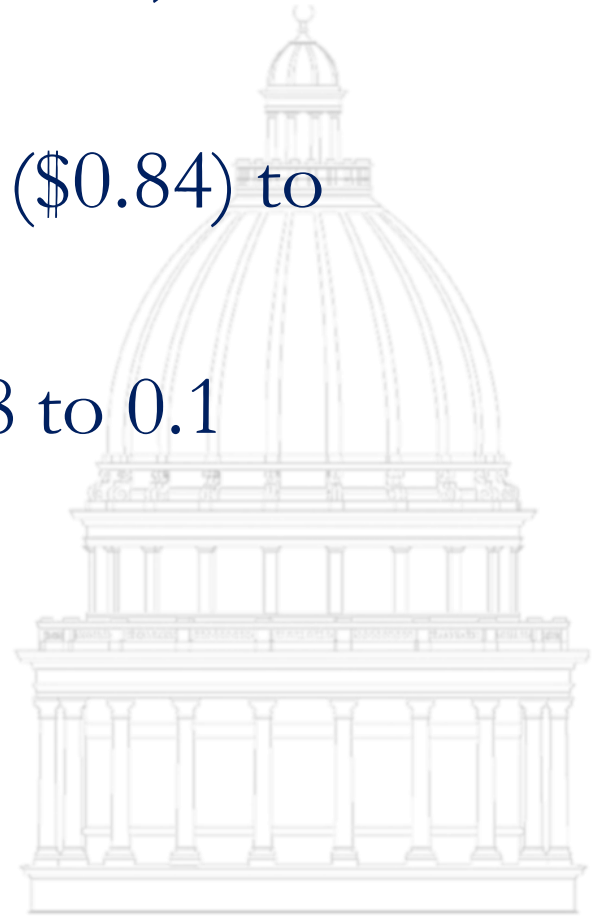
FOR MORE INFORMATION

pages 9 to 26 of report

WCWCD Planned Rate Increases to Pay for Pipeline
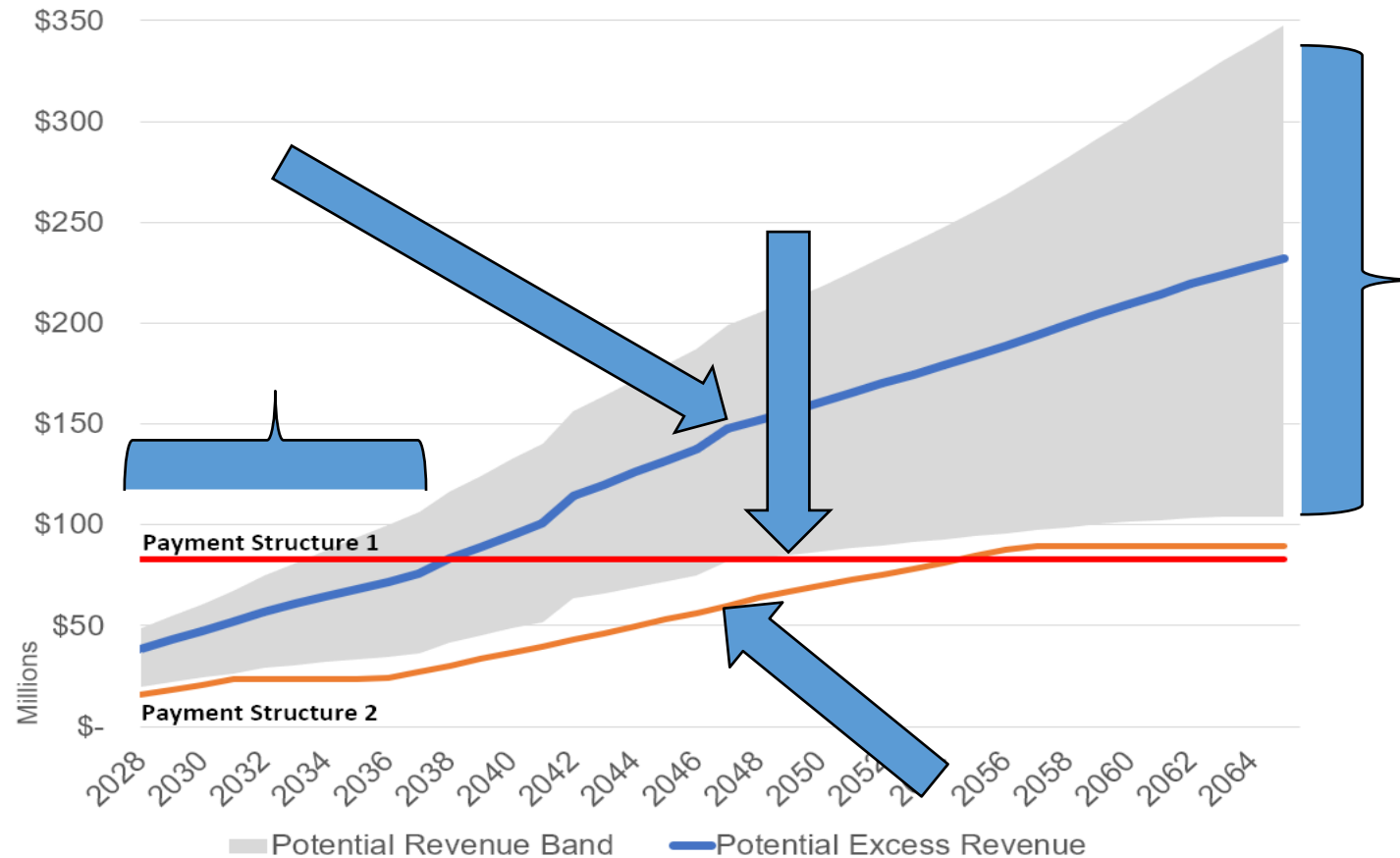
⟐ Impact Fees: increasing $1,000 annually from 2017 ($7,417) to 2026 ($15,448)

⟐ Water Rates: increasing $0.10 annually from 2016 rate ($0.84) to $3.84 per 1,000 gallons

⟐ Property Taxes: increasing from the 2018 rate of .0648 to 0.1 percent by 2025.

FOR MORE INFORMATION

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Yearly Potential Excess WCWCD Revenues

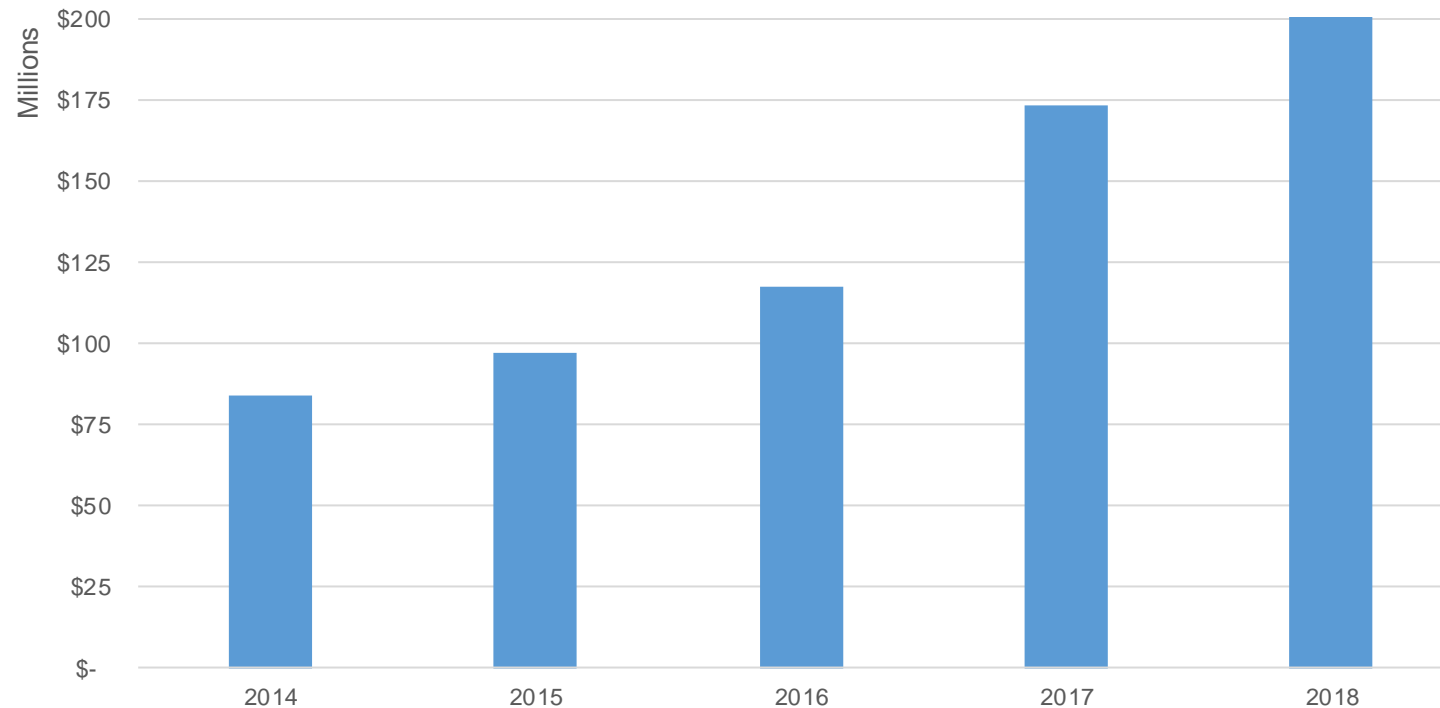This figure is based on multiple assumptions, to adjust the assumptions CLICK HERE for interactive figure.

Payment Structure 1

Payment Structure 2

Millions

Potential Revenue Band   Potential Excess Revenue

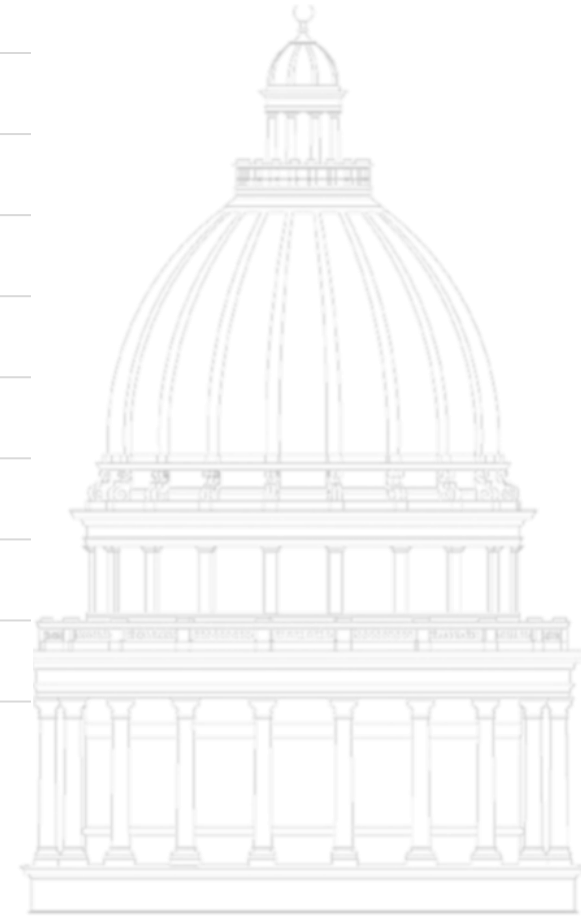**FOR MORE INFORMATION**

pages 11 and 12 of report

WCWCD is Building Reserves for LPP

Cash-on-Hand

FOR MORE INFORMATION

pages 15 and 16 of report

Chapter III

Pipeline Payback Uncertainties Could Have Large Fiscal Implications for the State

FOR MORE INFORMATION
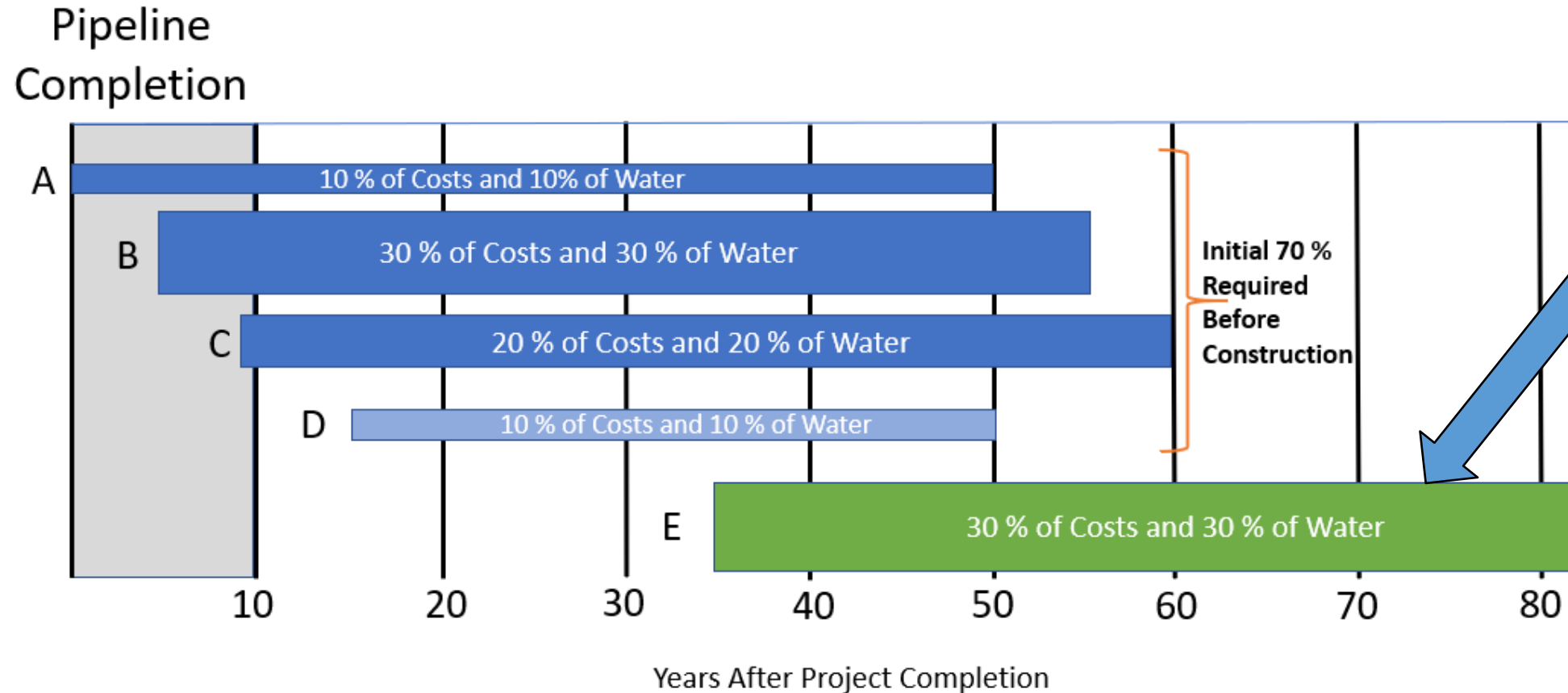
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Statute Does not Require State Bonding Costs Be Repaid

Hypothetical Repayment Plan	Terms of Repayment	Principal Repaid by District	State Interest Revenue	Sum of Repayments to State
1	A. Original bond amount B. State's financing costs C. 3% interest charged district	$2.4 billion	$2.2 billion	$4.6 billion
2	A. Original bond amount C. 3% interest charged district	$1.8 billion	$1.6 billion	$3.4 billion
3	A. Original bond amount B. State's financing costs	$2.4 billion	$0	$2.4 billion

FOR MORE INFORMATION

pages 28 to 31 of report

Statute is Unclear How Costs Are to Be Divided Among Multiple Repayment Contracts

Pipeline Completion

	10 % of Costs and 10% of Water	
A		
B	30 % of Costs and 30 % of Water	
C	20 % of Costs and 20 % of Water	
D	10 % of Costs and 10 % of Water	
E	30 % of Costs and 30 % of Water	

Initial 70 % Required Before Construction

10   20   30   40   50   60   70   80

Years After Project Completion

FOR MORE INFORMATION

pages 32 to 34 of report

Viable Financing Options Being Considered

⊳ Water Infrastructure Restricted Account (WIRA)

⊳ Water Infrastructure Finance and Innovation Act (WIFIA)
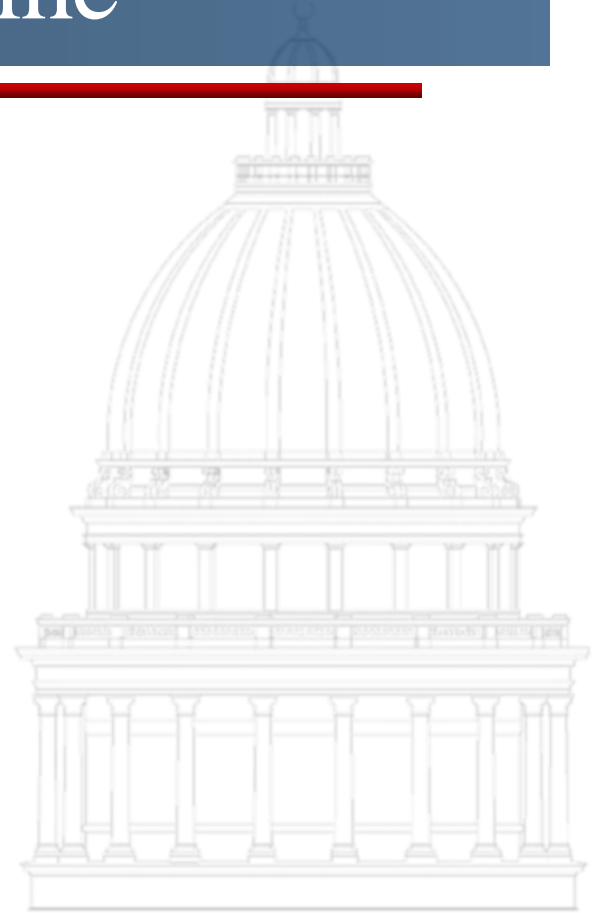
⊳ Individual district bonding

FOR MORE INFORMATION

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Performance Audit of the Repayment Feasibility of the Lake Powell Pipeline

Utah Legislative Auditor General

Presentation to the
Natural Resources, Agriculture, and Environment Interim Committee
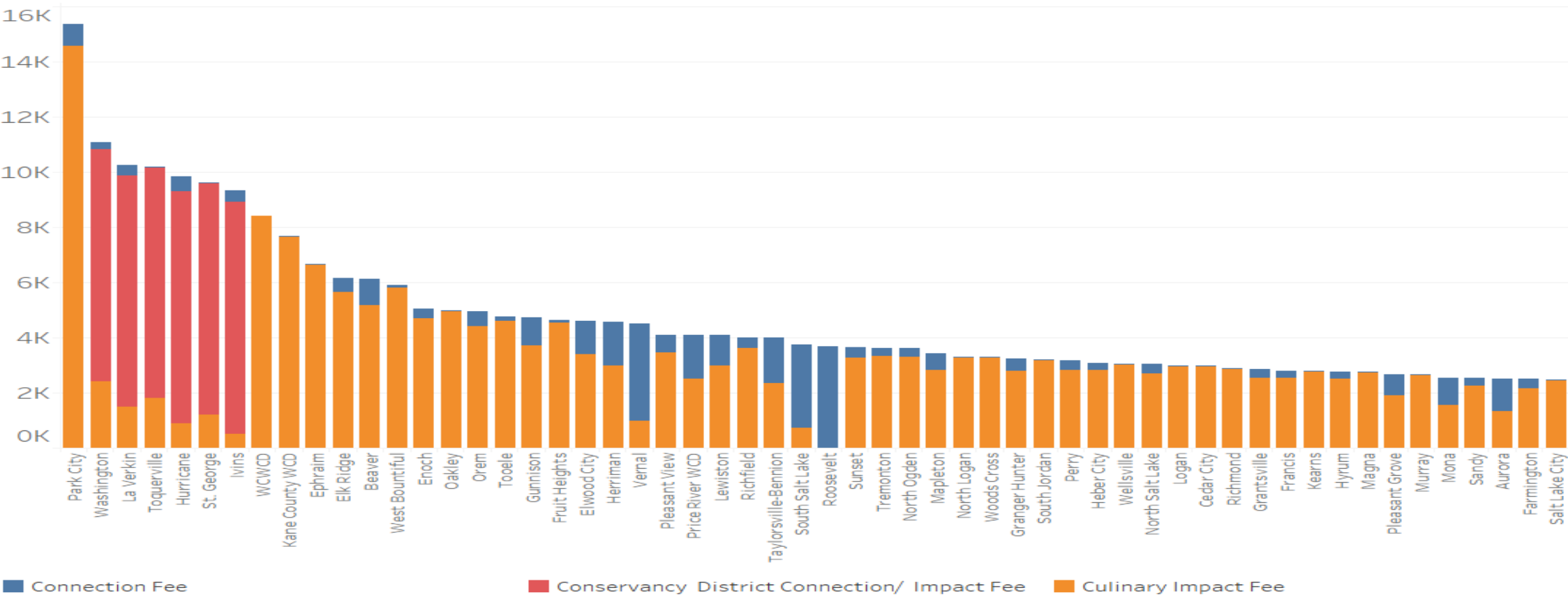
October 16, 2019

Recommendations to the Legislature

⊳ We recommend that the Legislature consider clarifying in statute the terms for repayment including state bond interest costs for the Lake Powell Pipeline.

⊳ We recommend that the Legislature consider clarifying in statute how repayment costs can be divided among and within repayment contracts.

⊳ We recommend that the Legislature consider clarifying in statute final repayment time frames for outstanding pipeline reimbursable costs.

⊳ We recommend that the Legislature consider whether multiple sources of funding for the Lake Powell Pipeline would be in the best interests of the state.
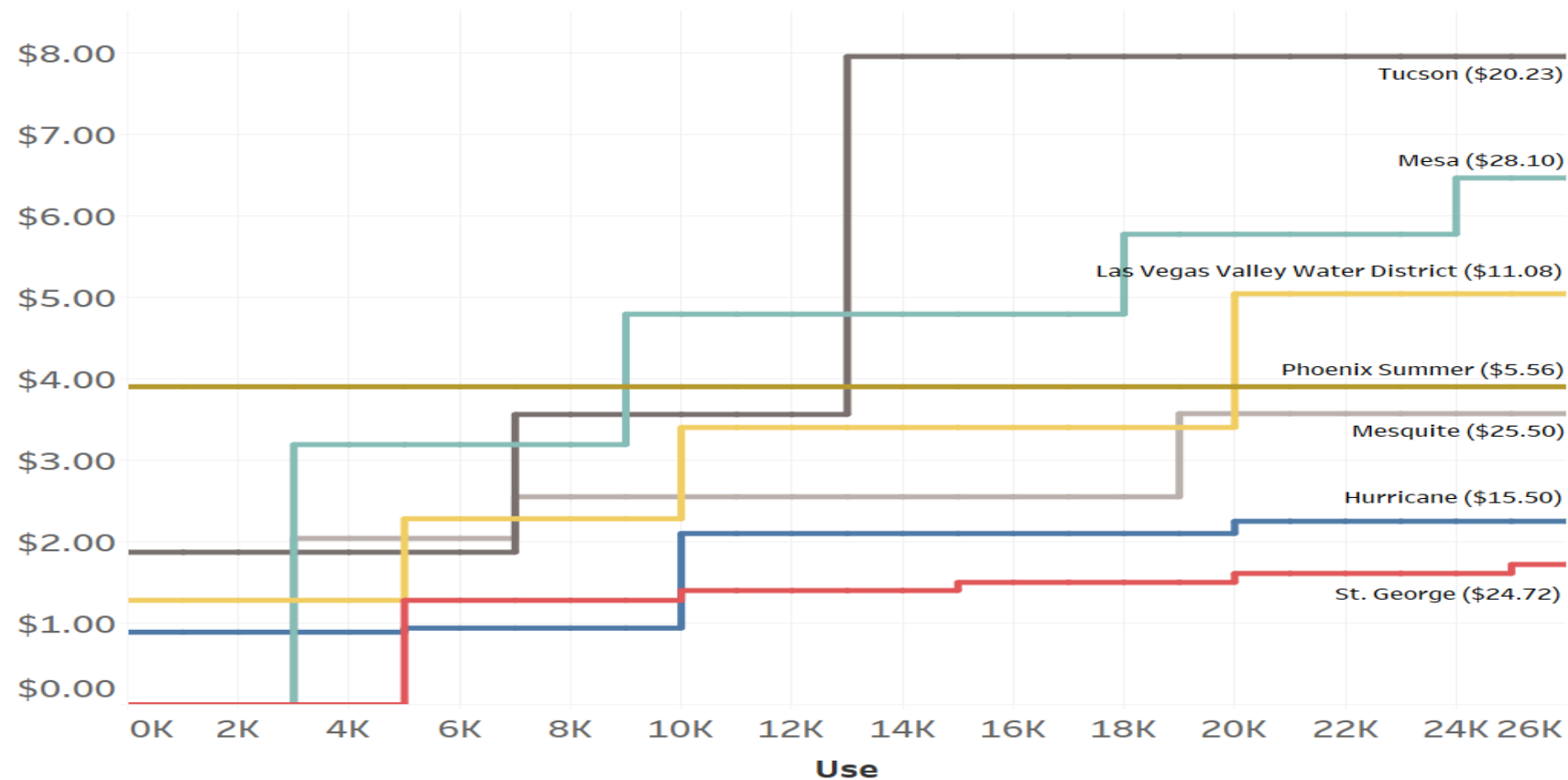
FOR MORE INFORMATION
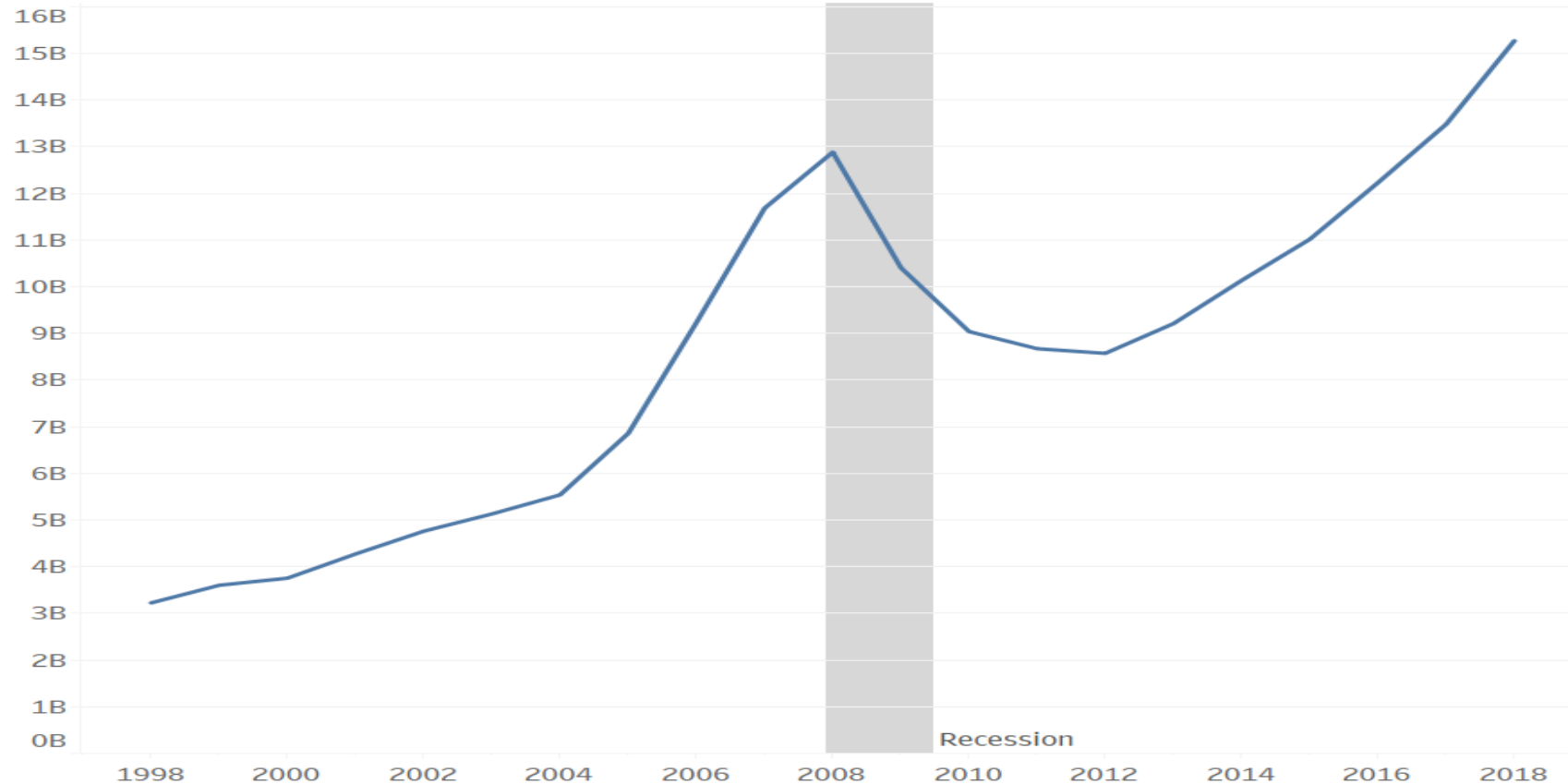
pages 36 to 38 of report

Culinary Water Impact Fees

Water Rate Structures

Washington County's Total Property Values Have Increased Nearly Five Times Since 1998

FOR MORE INFORMATION